Electronic Invoice Presentment and Payment

Receivables Workshop

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Treasury and Trade Solutions
1. Welcome and Introduction
2. Stakeholders
3. Invoicing Challenges
4. Segmentation
5. Payment Methods
6. Cash Application
7. Digital Solutions
8. eIPP Features and Benefits
9. Appendix
Welcome and Introduction

Session Facilitator

Marcelo García
Vice President, Citi Latin America
Receivables and Tax Collections
Product Manager

Marcelo leads the regional Receivables and Tax Collections strategy in Latin America. He is in charge of traditional collections as well as innovative electronic solutions oriented to improve cash application through efficiencies in the reconciliation process. He manages regulatory and market requirements and provides advisory to regional and global companies.

An experienced professional with more than 20 years in banking and IT services, Marcelo joined Citi Argentina in 1994. He has held different positions in the local CitiService and Electronic Banking Implementation units in Argentina, before becoming Receivables Subject Matter Expert for Latin America with the regional O&T organization. More recently, in his previous assignment, he was appointed Latin America Channel Services Product Manager, before transitioning into his current role of Receivables and Tax Collections Product Manager for the region.

Marcelo holds a Bachelor’s degree in Information Technology from Universidad Argentina de la Empresa (UADE) and is currently pursuing an Executive MBA degree from IAE Business School in Argentina.

Objectives

- Share common expectations around Electronic Invoice Presentment and Payment solutions
- Identify key participants and coordination required for a successful adoption
- Discuss challenges associated to the order to cash cycle
- Learn about other Digital Solutions associated to eIPP
- Understand eIPP features and benefits
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9. Appendix
Stakeholders

Who are the stakeholders usually involved when assessing the implementation of a new Accounts Receivable solution?
Stakeholders (Cont’d)

Expectations
Engagement
Alignment
Sponsorship

Client Incentives

Initiator
Decider
Buyer
Influencer
User
Gatekeeper

Finance
Treasurer
Sales and Credit
A / R
IT
SSC
Client Service
Invoicing Challenges

Which are the most common invoicing challenges found within the order to cash cycle?
Invoicing Challenges (Cont’d)

Paper and Supplies
- Costs
- Non-eco friendly

Courier/Postal Service
- Costs
- Delays
- Frauds

Delivery

Dispute Management

Claims Desk
- Tracking
- Confusion
- Communication
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Segmentation

Based on their size,

which is the overall segmentation

of clients in your portfolio?
Segmentation (Cont’d)

- Complex electronic banking infrastructure
- Low Volume and High Value Payments
- Electronic Payment Methods

- Simple electronic banking infrastructure
- Mid Volume and Mid Value Payments
- Electronic and Paper Based Payments

- Limited electronic banking infrastructure
- High Volume and Low Value Payments
- Paper Based Payment Methods

 eiIPP has proven successful to generate benefits by addressing improvement opportunities in the interaction with Small and Medium Enterprises
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9. Appendix
Payment Methods

Which are the most common payment methods used by your clients?
Payment Methods (Cont’d)

<table>
<thead>
<tr>
<th>Method</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Predominant from small businesses</td>
</tr>
<tr>
<td></td>
<td>Low value transactions</td>
</tr>
<tr>
<td>Checks</td>
<td>Commonly accepted between companies</td>
</tr>
<tr>
<td></td>
<td>Mid value transactions</td>
</tr>
<tr>
<td>ACH Transfers</td>
<td>Preferred method by large companies</td>
</tr>
<tr>
<td></td>
<td>High Value Transactions</td>
</tr>
<tr>
<td>Multi-bank PSPs</td>
<td>Online, real-time settlement</td>
</tr>
<tr>
<td></td>
<td>Limited availability</td>
</tr>
<tr>
<td>Direct Debit</td>
<td>Common for recurrent, same value payments</td>
</tr>
<tr>
<td></td>
<td>Requires trust from payers</td>
</tr>
<tr>
<td>Cards</td>
<td>Mainly oriented towards consumer transactions</td>
</tr>
</tbody>
</table>

Integrated to eIPP
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9. Appendix
Cash Application

Which are the typical challenges around cash application that generate reconciliation issues?

How do you measure efficiency of cash application?

Are there any commercial or market conditions affecting cash application?
Cash Application (Cont’d)

Conditions

Different Payment Methods with No Details
No Automated Processes
Multiple Banks
Customer Payment Behavior
No Integration through Standard Formats

Challenges

Wires with no Details— invoice Number Required
Delayed Payment Application
Partial Payments (e.g.: Due to WHT)
Returned Payments with No Reference
No Payment Details on Bank Statement
No Stopper to Prevent Receiving Incomplete Wires
Missing Payment Details
Lot of Third-party Checks
e-mail or Faxed Check Image to Apply the Payment

Root Causes

Lack of Information Exchanged Among Banks
Customer Payment Behavior
Lack of AR Information in Advance
Multiple Reports Needed for Reconciliation Process
Non-standardized AR and/or Statement Information

Risks Due to Cash Collections Upon Delivery
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9. Appendix
Digital Solutions

Are you familiar with any digital solutions that may be associated to eIPP?
Digital Solutions (Cont’d)

Vertical integration, previous step to eIPP in the order to cash cycle

- eOrdering
- eCommerce
- Digital Invoice
- Mobile apps for Sales

eIPP’s payment module used as Payment Gateway

Inquiries and payment application for Sales reps on the go

Compliance with regulations already in place in different markets
eIPP—Electronic Invoice Presentment and Payment

An efficient tool to better control, visualize and manage your collections processes end-to-end.

Settlement
- Biller/Payer set up and entitlements
- Message translation and code normalization
- Invoice delivery and trading partner notification
- Uniform invoice approval/dispute workflow
- Invoice presentation (including drill down, multiple selection, etc.)
- Dispute processing, handling and resolution
- Payment processing and reporting analytics

1. Invoice Data
2. Approve invoice Adjust (if necessary)
3. Payment Instructions
4. ACH Debit
5. Confirmation Files
6. Reconciliation File
7. Deposit Information
8. Debit Information

Biller
- Biller/Payer set up and entitlements
- Message translation and code normalization
- Invoice delivery and trading partner notification
- Uniform invoice approval/dispute workflow
- Invoice presentation (including drill down, multiple selection, etc.)
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Payer
- Approve invoice Adjust (if necessary)
- Initiate and authorize payment via ACH or Deposit Slip

Biller’s Bank
- Invoice Data
- Reconciliation File
- Deposit Information

Payer’s Bank
- Approve invoice
- Initiate and authorize payment via ACH or Deposit Slip

Citi Operations
- Payment Instructions
- Confirmation Files
- ACH Debit

Automated Clearinghouse (ACH) Credit

Citi Operations
eIPP—Value-added

eIPP Integrates the Following Channels and Payment Methods

- Interbanking (Argentina), PSE (Colombia)
- Supports multiple formats to retrieve information of funds received in other banks
- Online Real-time Payment Service Providers
- Over the Counter
- Multibank Reconciliation
- Payment and Channel Flexibility
- Channels and Payment Methods

Issues Addressed

- Returned Payments with No Reference
- E-mail or Faxed Check Image to Apply the Payment
- Missing Payments details
- No stopper to Prevent Receiving Incomplete Wires
- Wires with No Details—invoice Number Required
- No Payment Details on Bank Statement
- Lot of third-party Checks
- Delayed Payment Application
- Partial Payments due to WHT

- Cash and checks received at Citi branches and network extensions
- Incoming transfers.
- Different channels and payment types can be used on a single payment order

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eIPP—Sinergy and Benefits

- **Administration**
  - Increased automation
  - Accounts sinergy
  - Improved productivity

- **IT**
  - Reduction of processes
  - Savings in report implementations
  - Very low maintenance

- **Finance**
  - Bank agnostic
  - DSO reductions
  - Improved working capital

- **Sales**
  - Online information
  - Risk tools
  - Improved control

- **Clients**
  - Better integration
  - More efficient A/R control
  - Better A/R knowledge
eIPPP—Savings

- Invoice disputes lower costs
  - 10% invoice disputes
  - Operative costs: $3
  - Saving: $18,000 per year

- Presentment lower costs
  - Paper invoicing and courier: $1 each
  - Similar cost in digital channel: $0.2
  - Saving: $48,000

- Payments process lower costs
  - Check processing cost: $0.45
  - Cost reduction EDT: 75%
  - Check payments: 40%
  - Saving: $8,000 per year

Project
Invoicing, Collection, Payment Initiation and Automatic reconciliation.

Client
Food Company in Argentina

Details
60,000 invoices per year
$ 540/invoice
270 payers
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9. Appendix
Citi in partnership with SD&D is able to offer a robust eIPP solution to provide improved cash flow visibility, increased automation and integration with their ERP’s, making it possible for clients to reduce DSO, minimize dispute rates, lower costs and accelerate payment settlement for a more efficient reconciliation process.

**SD&D Overview**
- Company founded in 1995
- 31 active billers in 8 different countries
- Over 125,000 payers interacting daily
- Over 24,500,000 orders and documents managed per year between payers and billers
- 57,500 payments closed by month
- Provides scalable, customizable technology solutions for the Financial Supply Chain Management around: Einvoicing, eCommerce, ePayments and eOrdering

**SD&D Solution Differentiators**
- Ability to integrate into web-based ordering system increasing the likelihood that customers will view the web published receivable
- Short time for implementation
- Flexible platform that can be easily customized to clients’ requirements
- Multi-bank solution